

**GENERAL CONFERENCE OF THE
BRETHREN IN CHRIST
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014
AND
INDEPENDENT AUDITOR'S REPORT**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

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INDEPENDENT AUDITOR'S REPORT

To the General Conference Board of the
General Conference of the Brethren in Christ
Grantham, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the General Conference of the Brethren in Christ (a non-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members of the American and Pennsylvania Institutes of CPAs

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Conference of the Brethren in Christ as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

May 24, 2016

Mechanicsburg, Pennsylvania



Certified Public Accountants

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 1,127,608	\$ 803,987
Temporarily Restricted	4,109,364	4,440,523
Investments (Note 2)		
Temporarily Restricted	2,849,745	3,179,816
Permanently Restricted	2,729,634	2,728,514
Education Loans Receivable (Note 3)	15,502	24,502
ASEL Receivable (Note 4)	88,941	88,941
Other Receivables (Note 5)	257,010	263,110
Other Assets	170,893	127,011
Fixed Assets, Net (Note 6)	<u>225,587</u>	<u>236,644</u>
 Total Assets	 <u>\$ 11,574,284</u>	 <u>\$ 11,893,048</u>
Liabilities		
Accounts and Payroll Withholding Payable	\$ 135,277	\$ 200,480
Accrued Wages and Vacation Payable	18,552	14,088
Deposit Agreements	5,000	5,000
Notes Payable (Note 9)	225,582	234,370
Liability for Pension Benefit (Note 11)	3,119,083	3,683,651
Other Liabilities	<u>2,566</u>	<u>2,566</u>
 Total Liabilities	 <u>3,506,060</u>	 <u>4,140,155</u>
Net Assets (Deficit)		
Unrestricted	(1,500,408)	(2,595,960)
Temporarily Restricted (Note 7)	6,838,998	7,620,339
Permanently Restricted (Note 8)	<u>2,729,634</u>	<u>2,728,514</u>
 Total Net Assets (Deficit)	 <u>8,068,224</u>	 <u>7,752,893</u>
 Total Liabilities and Net Assets	 <u>\$ 11,574,284</u>	 <u>\$ 11,893,048</u>

The Accompanying Notes are an Integral Part of the Financial Statements

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Statement of Activities

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions	\$ 2,628,301	\$ 2,029,250	\$ 1,120	\$ 4,658,671
Investment Income (Note 2)	27,566	(8,797)	-	18,769
Other	152,523	-	-	152,523
Net Assets Released From Restrictions	<u>2,801,794</u>	<u>(2,801,794)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>5,610,184</u>	<u>(781,341)</u>	<u>1,120</u>	<u>4,829,963</u>
Expenses				
Program Services	4,574,218	-	-	4,574,218
Management and General				
Operational	232,122	-	-	232,122
Ministers Pension Fund Benefit Program	<u>228,259</u>	<u>-</u>	<u>-</u>	<u>228,259</u>
Total Expenses	<u>5,034,599</u>	<u>-</u>	<u>-</u>	<u>5,034,599</u>
Increase (Decrease) in Net Assets	575,585	(781,341)	1,120	(204,636)
Net Assets (Deficit), Beginning of Year	(2,595,960)	7,620,339	2,728,514	7,752,893
Pension-Related Changes Other Than Net Periodic Pension Cost	<u>519,967</u>	<u>-</u>	<u>-</u>	<u>519,967</u>
Net Assets (Deficit), End of Year	<u>\$ (1,500,408)</u>	<u>\$ 6,838,998</u>	<u>\$ 2,729,634</u>	<u>\$ 8,068,224</u>

The Accompanying Notes are an Integral Part of the Financial Statements

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Statement of Activities

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions	\$ 4,181,984	\$ 3,514,226	\$ 1,000	\$ 7,697,210
Investment Income (Note 2)	53,244	225,659	-	278,903
Other	223,298	-	-	223,298
Net Assets Released From Restrictions	<u>1,561,470</u>	<u>(1,561,470)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>6,019,996</u>	<u>2,178,415</u>	<u>1,000</u>	<u>8,199,411</u>
Expenses				
Program Services	4,964,809	-	-	4,964,809
Management and General				
Operational	278,314	-	-	278,314
Ministers Pension Fund Benefit Program	<u>249,695</u>	<u>-</u>	<u>-</u>	<u>249,695</u>
Total Expenses	<u>5,492,818</u>	<u>-</u>	<u>-</u>	<u>5,492,818</u>
Increase in Net Assets	527,178	2,178,415	1,000	2,706,593
Net Assets (Deficit), Beginning of Year	(1,085,430)	4,944,133	2,727,514	6,586,217
Pension-Related Changes Other Than Net Periodic Pension Cost	(1,539,917)	-	-	(1,539,917)
Net Asset Reclassification (Note 15)	<u>(497,791)</u>	<u>497,791</u>	<u>-</u>	<u>-</u>
Net Assets (Deficit), End of Year	<u>\$ (2,595,960)</u>	<u>\$ 7,620,339</u>	<u>\$ 2,728,514</u>	<u>\$ 7,752,893</u>

The Accompanying Notes are an Integral Part of the Financial Statements

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ (204,636)	\$ 2,706,593
Adjustment to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Realized Gain on Sale of Investments	(288,697)	(423,222)
Unrealized Loss on Investments	326,497	196,885
Loss on Disposal of Fixed Assets	-	1,882
Depreciation	12,247	12,148
(Increase) Decrease in:		
Receivables	15,100	169,880
Other Assets	(43,882)	4,856
Increase (Decrease) in:		
Accounts and Payroll Withholdings Payable	(65,203)	(238,843)
Accrued Wages and Vacation Payable	4,464	9,490
Claim Reserve – Health Plan	-	(405,465)
Other Liabilities	<u>-</u>	<u>(8,289)</u>
Net Cash and Cash Equivalent Provided (Used) by Operating Activities	<u>(244,110)</u>	<u>2,025,915</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(66,777)	(987,701)
Sale of Investments	357,928	2,178,767
Purchase of Fixed Assets	<u>(1,190)</u>	<u>-</u>
Net Cash and Cash Equivalents Provided by Investing Activities	<u>289,961</u>	<u>1,191,066</u>
Cash Flows from Financing Activities:		
Borrowing on Notes Payable	-	143,575
Principal Payments on Notes Payable	(8,788)	(146,441)
Change in Ministers Pension Fund Components	<u>(44,601)</u>	<u>(1,352,350)</u>
Net Cash and Cash Equivalents Used by Financing Activities	<u>(53,389)</u>	<u>(1,355,216)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,538)	1,861,765
Cash and Cash Equivalents, Beginning of the Year	<u>5,244,510</u>	<u>3,382,745</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,236,972</u>	<u>\$ 5,244,510</u>
<u>Supplemental Cash Flow Disclosures:</u>		
Cash Paid for Interest	\$ 9,992	\$ 14,867
Cash Paid for Income Taxes	-	-

The Accompanying Notes are an Integral Part of the Financial Statements

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The General Conference of the Brethren in Christ (the BIC US) was incorporated on June 18, 1940 in the Commonwealth of Pennsylvania as a charitable, non-profit religious organization. The BIC US is supported by contributions from Brethren in Christ congregations as well as direct contributions from individuals and other entities.

Basis of Accounting:

The financial statements of the BIC US have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the BIC US to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions:

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

The BIC US recognizes receipts when given by the supporting congregations. As a result, approximately twenty business days are required after year-end to properly recognize these December receipts. Additionally, the BIC US allows the Cooperative Ministries Program to make the appropriate allocations to other BIC US programs and external organizations before the year-end close.

Ministry Activities:

The BIC US is strongly committed to functioning as one organization, in support of various ministries, as we seek to accomplish the mission of the church to make and grow disciples. The following list is illustrative of the ministry activities supported by the BIC US in 2015:

- Regional Conference Leadership
- Commission on Ministry and Doctrine
 - Equipping for Ministry
- General Conference Meeting
- Denominational Communications including IN PART magazine
- World Missions
 - Missionary Support
 - International Leadership Development
 - Global Compassion Fund
- Ministers Pension Fund

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets:

It is the policy of the BIC US to record purchased fixed assets at cost and donated assets at their fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related asset.

Taxation:

The BIC US is exempt from Federal Income Tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for Federal Income Tax purposes for contributions made to the BIC US in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the BIC US earns income considered to be unrelated business income. The BIC US conducted no activities that were subject to income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the BIC US, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the BIC US had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the BIC US is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2012.

Receivables:

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of outstanding balances, it has concluded that losses on balances outstanding at year-end will be immaterial.

Investments:

Investments are valued at their fair market values on a recurring basis in the Statements of Financial Position.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

For investments that have quoted market prices in active markets, the BIC US uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the BIC US' own determinations of the assumptions that a market participant would use in pricing the asset. The BIC US considers its investments to be Level 2.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued):

Investment income, including realized and unrealized gains restricted by donors, is reported as an increase in unrestricted net assets if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible changes in risks in the near term would materially affect investment assets reported in the Statements of Financial Position and Activities.

Contributed Services:

The BIC US receives a substantial amount of donated services in carrying out the various ministries of the BIC US. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For the purpose of the Statements of Cash Flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less.

NOTE 2 INVESTMENTS

Investments are summarized as follows at December 31, 2015 and 2014:

December 31, 2015:

	<u>Cost</u>	<u>Market Value</u>
Trust Investments and Deposit Accounts (BICF)	\$ 5,369,453	\$ 5,579,379
Total	<u>\$ 5,369,453</u>	<u>\$ 5,579,379</u>

December 31, 2014:

	<u>Cost</u>	<u>Market Value</u>
Trust Investments and Deposit Accounts (BICF)	\$ 5,371,948	\$ 5,908,330
Total	<u>\$ 5,371,948</u>	<u>\$ 5,908,330</u>

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 2 INVESTMENTS (CONTINUED)

Investment income is summarized as follows for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Realized Gain on Sale of Investments	\$ 288,697	\$ 423,222
Unrealized Loss on Investments	(326,497)	(196,885)
Interest and Dividends	101,049	106,119
Custodial Fees	<u>(44,480)</u>	<u>(53,553)</u>
Total	<u>\$ 18,769</u>	<u>\$ 278,903</u>

Fair values of investments are summarized as follows at December 31, 2015 and 2014:

	<u>December 31, 2015</u>			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Trust Investments and Deposit Accounts (BICF)	\$ -	\$ 5,579,379	\$ -	\$ 5,579,379
Total	<u>\$ -</u>	<u>\$ 5,579,379</u>	<u>\$ -</u>	<u>\$ 5,579,379</u>

	<u>December 31, 2014</u>			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Trust Investments and Deposit Accounts (BICF)	\$ -	\$ 5,908,330	\$ -	\$ 5,908,330
Total	<u>\$ -</u>	<u>\$ 5,908,330</u>	<u>\$ -</u>	<u>\$ 5,908,330</u>

Level 2:

The BIC US' investment held with the Brethren in Christ Foundation, Inc. (BIC Foundation) is considered Level 2. The BIC Foundation Growth with Income Fund (the fund) is a non-quoted investment fund which only invests in financial assets quoted in active markets. The fund's investment objective is asset growth and protection against inflation by investing primarily in stocks, combined with secondary components in bonds and short-term/money market investments. Any amount can be withdrawn from an account up to the total account balance.

NOTE 3 EDUCATION LOANS RECEIVABLE

Individuals who are accepted for service with Brethren in Christ World Missions (BICWM), who have educational debts, may apply in writing for educational debt assistance. Educational debts approved for reimbursement will be paid based on ten percent (10%) of the original amount of the loan (at the time of appointment) per year for ten (10) years. Payments made will range from a minimum of \$1,000 to a maximum of \$2,500. Maximum lifetime education debt assistance is limited to \$25,000. For individuals accepted for service with BICWM but needing further education, BICWM will pay for such education as a loan. A "credit" is given to the missionaries for each year of service, based on an approved credit schedule. If the credits for years of service are less than the loan payments made by the BICWM when a missionary completes his or her service, the difference will be paid back to BICWM by the missionary. At December 31, 2015 and 2014, the receivable due back to the BICWM was \$15,502 and \$24,502, respectively.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 4 ASEL RECEIVABLE

From time to time, the BIC US makes Appreciation Sharing Equity Loans (ASEL) to BIC US executives for the purpose of purchasing their residence. These interest-free loans will be repaid upon the sale of the residence. At December 31, 2015 and 2014, three loans were outstanding, totaling \$88,941. These notes are secured by a mortgage deed of trust or security deed.

NOTE 5 OTHER RECEIVABLES

Other receivables at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Vehicle Loan Receivable	\$ 10,467	\$ 10,467
Shared Services Receivables	15,961	13,273
Administrative and Other Advances	5,000	5,000
Forest Gate Loan	24,213	28,875
Hoyo-Spain Church Receivable	<u>201,369</u>	<u>205,495</u>
Total	<u>\$ 257,010</u>	<u>\$ 263,110</u>

NOTE 6 FIXED ASSETS

Fixed assets are summarized as follows at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Real Estate	\$ 379,123	\$ 379,123
Furniture and Equipment	<u>77,475</u>	<u>76,285</u>
	456,598	455,408
Less: Accumulated Depreciation	<u>(231,011)</u>	<u>(218,764)</u>
Fixed Assets, Net	<u>\$ 225,587</u>	<u>\$ 236,644</u>

The estimated useful lives for purposes of computing depreciation are as follows:

Real Estate	40 years
Furniture and Equipment	3-10 years

Depreciation expense was \$12,247 and \$12,148 for the years ended December 31, 2015 and 2014, respectively.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Other – National	\$ 19,047	\$ 2,040
Shaping Leaders for Tomorrow	324,844	425,513
Honoring Leaders of Yesterday	73,125	74,942
National – Special Projects	19,759	32,313
Kipe Seminary Special Training	11,132	11,147
Smith Pastoral Training	(11,575)	(9,459)
Renewal/Refocus	13,047	13,060
Other – Global	1,831,476	2,271,898
Global Special Projects	305,770	270,866
Spice Gift – Global	15,635	16,686
Leadership Training – Global	1,134,048	1,292,209
Personnel Training – Global	819,423	839,991
New Frontiers – Global	188,463	238,262
So. African Women’s Ed. Fund – Global	16,374	20,183
ECP – Global	326,809	359,982
Emergency Risk Mgt. – Global	505,042	501,649
Global Compassion – Global	67,779	80,146
Crisis Management – Global	45,735	45,385
Missionaries – Global	<u>1,133,065</u>	<u>1,133,526</u>
Total	<u>\$ 6,838,998</u>	<u>\$ 7,620,339</u>

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS

Interpretation of Relevant Law

In August 2008, The Financial Accounting Standards Board issued FASB ASC 958-204-45-28 through 45-31, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds.”

The staff position provides guidance on the net asset classification of donor-restricted endowment funds and requires additional disclosures about an organization’s endowment funds, both donor-restricted and board-designated.

The BIC US has interpreted the law that underlies the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit instructions. As a result of this interpretation, the BIC US classifies as permanently restricted net assets (1) the original value of gifts to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Absent explicit instructions from the donor, investment income from permanently restricted funds is classified as temporarily restricted and expensed as permitted by established endowment fund spending policies.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

The BIC US considers the following factors when receiving donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Investment Management Policy

Permanent, donor-restricted gifts are generally given with the donors' expectations that the funds will stay intact and grow from or at a minimum provide earnings that can be used to fund the purposes specified in the corresponding trust instrument. Therefore, the funds should be invested in accordance with these general policies:

1. *Preservation of Capital* – Both with respect to the overall Fund and to the assets assigned to each investment manager, the Finance Committee and the investment managers should make conscious efforts to preserve capital, understanding that losses may occur in individual securities.
2. *Risk Aversion* – Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results sufficient to meet the Fund's objectives. However, investment managers are to make reasonable efforts to control risk, and they will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. *Adherence to Investment Discipline* – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

Investment Objectives

Specifically, the primary objective in the investment management of fund assets shall be:

- To preserve purchasing power after spending
- To achieve returns that are more than the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets
- To control risk in the investment of fund assets

Handling of Income from Endowment Fund Investments

All income earned, whether interest income, dividend income, or gains realized and unrealized will be classified as temporarily restricted until appropriated for expenditure by the BIC US. There are no permanent restrictions on the use of the income other than any purpose restrictions established by the trust instrument or board-designation.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Permanent</u>
Contributions to Perpetual Endowment	1,120
Amounts Appropriated for Expenditure	<u> -</u>
Total Change in Endowment Funds	<u>\$ 1,120</u>

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Permanent</u>
Contributions to Perpetual Endowment	1,000
Amounts Appropriated for Expenditure	<u> -</u>
Total Change in Endowment Funds	<u>\$ 1,000</u>

Permanently restricted net assets at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Leadership Training Endowment	\$ 641,261	\$ 641,261
New Frontiers Endowment	444,923	444,923
Shaping Leaders for Tomorrow (Formerly Seminary Students)	1,485,885	1,485,765
Spouses Training	13,745	13,745
Smith Pastoral Training	60,458	59,458
Renewal/Refocus Endowment	11,801	11,801
World Missions – S. Africa Women’s Ed. Fund	<u>71,561</u>	<u>71,561</u>
Total	<u>\$ 2,729,634</u>	<u>\$ 2,728,514</u>

NOTE 9 NOTES PAYABLE

Note 1

During 1999, the BIC US entered into a thirty-year note payable with the Brethren in Christ Foundation for \$110,000 (Note 1). Interest of 7.50% is charged on the remaining balance with a monthly principal and interest payment of \$527. Interest expense was \$1,338 and \$1,566 for the years ended December 31, 2015 and 2014, respectively. Minimum principal maturities for each of the subsequent five years are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 4,663
2017	4,902
2018	5,153
2019	5,416
2020	<u>4,079</u>
Total	<u>\$ 24,213</u>

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 9 NOTES PAYABLE (CONTINUED)

Note 2

In 2010, the BIC US received a \$155,000 loan from the Brethren in Christ Foundation. The interest rate is variable and can move up or down during the lifetime of the loan. The interest rate was 4.25% at December 31, 2014. Interest expense related to this loan was \$0 and \$4,924 for the years ended December 31, 2015 and 2014, respectively. These funds were used to establish the BIC US' Self-Insurance Health Insurance Plan. During 2014, the BIC US paid off the remaining balance of the note.

Note 3

During 2013, the BIC US entered into a thirty-year note payable with the Brethren in Christ Foundation for \$216,480 (Note 3). The interest rate is variable at the sole discretion of the lender and was 4.25% and 4.25% at December 31, 2015 and 2014. Monthly installments of principal and interest are \$1,065. Interest expense was \$8,654 and \$8,377 for the years ended December 31, 2015 and 2014, respectively.

Minimum principal maturities for each of the subsequent five years are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 3,973
2017	4,145
2018	4,325
2019	4,513
2020	4,708
Thereafter	<u>179,705</u>
Total	<u>\$ 201,369</u>

Total notes payable at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Note 1	\$ 24,213	\$ 28,875
Note 3	<u>201,369</u>	<u>205,495</u>
Total	<u>\$ 225,582</u>	<u>\$ 234,370</u>

NOTE 10 RELATED ENTITY

The BIC Foundation is a denominationally owned and sponsored corporation consisting of two divisions which holds investments for the BIC US. The Trust Division handles investments on behalf of church agencies. The Brotherhood Loan Fund Division serves the church in a manner similar to that of a credit union. This division accepts deposits from individuals and church agencies and loans funds to congregations and pastors for real estate transactions. Various investments of the BIC US are held by BIC Foundation (see Notes 2 and 9).

The BIC Foundation owns the building in Pennsylvania which serves as facilities for its principal office. The building is utilized by the BIC Foundation and the BIC US. No rental or lease payments are made to the BIC Foundation, but operating and maintenance costs of the building are shared by the BIC Foundation and the BIC US on a pro rata basis. Operating and maintenance costs paid to the BIC Foundation were \$38,922 and \$34,750 during the years ended December 31, 2015 and 2014, respectively.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 11 RETIREMENT PLANS

The BIC US has a 403(b)(9) Retirement Income Account plan. This plan covers all employees of the BIC US beginning at date of hire or at three years of service. Employees can contribute a percentage of their compensation each year up to specified limits. The BIC US makes contributions to this plan on behalf of employees at a rate of 7.5% along with matching up to an additional 2.5% for 2015 and 10% with no additional match for 2014. The BIC US contributed \$174,247 and \$190,901 to the plan during December 31, 2015 and 2014, respectively.

The BIC US maintains the Brethren in Christ Minister's Pension Fund (the Plan) which is a single-employer defined-benefit pension plan. The Plan covers all ordained or licensed senior pastors and pastors of single-pastor congregations; ordained or licensed full-time associate pastors, Christian education, or youth ministers; and ordained or licensed ministers of other denominational boards and agencies. Normal monthly retirement benefits are equal to \$9.00 multiplied by the years of benefit service up to a maximum of 40 years of benefit service. In addition, the Plan provides for various disability and death benefits for eligible participants. As of December 31, 2009, the Plan was "frozen," allowing no new participants to be added after that point.

The BIC US pays the full cost of the Plan, and employee contributions are not required. During 2015 and 2014, the BIC US requested that the congregation for each eligible participant contribute \$1,200 and \$1,200, respectively, into the Plan to provide the necessary funding of the Plan's obligations. A \$ 272,860 and \$1,602,045 contribution, in addition to the annual contribution for the ordained or licensed ministers of the BIC US, was provided by the BIC US during 2015 and 2014, respectively.

The annual measurement date is December 31 for the pension benefits. The following tables provide further information about the BIC US' pension plan.

The following sets forth the Plan's actuarially determined funded status at December 31, 2015:

Obligations and Funded Status for 2015:

Benefit Obligation at December 31, 2015	\$ <u>9,483,163</u>
Fair Value of Plan Assets at December 31, 2014	6,315,760
Employer Contributions	647,304
Actual Return on Assets	147,622
Benefit Payments	(746,606)
Fair Value of Plan Assets at December 31, 2015	<u>6,364,080</u>
Net Unfunded Status of the Plan at December 31, 2015	\$ <u>3,119,083</u>

Net Periodic Pension Cost for 2015:

Service Cost	\$ 25,938
Interest Cost	360,103
Expected Return on Plan Assets	(331,460)
Amortization of Net Transition (Asset) or Obligation	-
Amortization of Prior Service Cost	-
Amortization of Net (Gain) or Loss	<u>173,678</u>
Net Periodic Pension Cost for Period 1/1/2015 to 12/31/2015	\$ <u>228,259</u>

GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 11 RETIREMENT PLANS (CONTINUED)

Items Not Yet Recognized as a Component of Net Periodic Pension Cost for 2015:

Items Not Yet Recognized as a Component of	
Net Period Pension Cost at 12/31/2014	\$ 4,584,513
Amortization of Net Transition Asset or (Obligation)	-
Amortization of Prior Service Cost	-
Amortization of Net Gain or (Loss)	(173,678)
Change Due to Change in Experience and Assumptions at 12/31/2015	(225,318)
Change Due to Plan Amendment	-
Experience (Gain) or Loss at 1/1/2015	69,635
Asset (Gain) or Loss	<u>183,838</u>

Items Not Yet Recognized as a Component of	
Net Period Pension Cost at 12/31/2015	<u>\$ 4,438,990</u>

Assumptions:

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31, 2015:

Discount Rate	3.75 %
Rate of Compensation Increase	0.00 %

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Year Ended December 31, 2015:

Discount Rate	3.75 %
Expected Return on Plan Assets	5.50 %
Rate of Compensation Increase	0.00 %

The BIC US' expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Plan Assets:

The BIC US' pension plan weighted-average asset allocations at December 31, 2015, by asset category are as follows:

<u>Asset Category</u>	<u>Percentage</u>
Real Estate	3.20 %
Cash/Money Market Funds/CDARS	58.10 %
International Equities	8.30 %
Large Cap Equities	11.80 %
Mid Cap Equities	3.10 %
Small Cap Equities	1.50 %
Fixed Income	<u>14.00 %</u>
 Total	 <u>100.00 %</u>

All assets are considered Level 1 or 2.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 11 RETIREMENT PLANS (CONTINUED)

The Plan's investment held with the BIC Foundation is considered Level 2. The BIC Foundation Growth with Income Fund (the fund) is a non-quoted investment fund which only invests in financial assets quoted in active markets. The fund's investment objective is asset growth and protection against inflation by investing primarily in stocks, combined with secondary components in bonds and short-term/money market investments. Any amount can be withdrawn from an account up to the total account balance.

Cash Flows:

Contributions – The BIC US expects contributions of \$250,000 to its pension plan in 2016.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2016	\$ 691,925
2017	701,630
2018	705,759
2019	684,970
2020	694,969
Years 2021-2025	<u>3,178,498</u>
Total	<u>\$ 6,657,751</u>

The following sets forth the Plan's actuarially determined funded status at December 31, 2014:

Obligations and Funded Status for 2014:

Benefit Obligation at December 31, 2014	<u>\$ 9,999,411</u>
Fair Value of Plan Assets at December 31, 2013	5,112,530
Employer Contributions	1,656,148
Actual Return on Assets	286,327
Benefit Payments	<u>(739,245)</u>
Fair Value of Plan Assets at December 31, 2014	<u>6,315,760</u>
Net Unfunded Status of the Plan at December 31, 2014	<u>\$ 3,683,651</u>

Net Periodic Pension Cost for 2014:

Service Cost	\$ 25,140
Interest Cost	396,029
Expected Return on Plan Assets	(287,605)
Amortization of Net Transition (Asset) or Obligation	-
Amortization of Prior Service Cost	-
Amortization of Net (Gain) or Loss	<u>116,131</u>
Net Periodic Pension Cost for Period 1/1/2014 to 12/31/2014	<u>\$ 249,695</u>

GENERAL CONFERENCE OF THE BRETHERN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 11 RETIREMENT PLANS (CONTINUED)

Items Not Yet Recognized as a Component of Net Periodic Pension Cost for 2014:

Items Not Yet Recognized as a Component of Net Period Pension Cost at 12/31/2013	\$ 2,990,493
Amortization of Net Transition Asset or (Obligation)	-
Amortization of Prior Service Cost	-
Amortization of Net Gain or (Loss)	(116,131)
Change Due to Change in Experience and Assumptions at 12/31/2014	1,623,480
Change Due to Plan Amendment	-
Experience (Gain) or Loss at 1/1/2014	85,393
Asset (Gain) or Loss	<u>1,278</u>
 Items Not Yet Recognized as a Component of Net Period Pension Cost at 12/31/2014	 <u>\$ 4,584,513</u>

Assumptions:

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31, 2014:

Discount Rate	3.75 %
Rate of Compensation Increase	0.00 %

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Year Ended December 31, 2014:

Discount Rate	3.75 %
Expected Return on Plan Assets	5.50 %
Rate of Compensation Increase	0.00 %

The BIC US' expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Plan Assets:

The BIC US' pension plan weighted-average asset allocations at December 31, 2014, by asset category are as follows:

<u>Asset Category</u>	<u>Percentage</u>
Real Estate	5.50 %
Cash/Money Market Funds/CDARS	30.71 %
International Equities	5.90 %
Large Cap Equities	22.14 %
Mid Cap Equities	4.99 %
Small Cap Equities	1.21 %
Fixed Income	<u>29.55 %</u>
 Total	 <u>100.0 %</u>

All assets are considered Level 1 or 2.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 11 RETIREMENT PLANS (CONTINUED)

The Plan's investment held with the BIC Foundation is considered Level 2. The BIC Foundation Growth with Income Fund (the fund) is a non-quoted investment fund which only invests in financial assets quoted in active markets. The fund's investment objective is asset growth and protection against inflation by investing primarily in stocks, combined with secondary components in bonds and short-term/money market investments. Any amount can be withdrawn from an account up to the total account balance.

Cash Flows:

Contributions – The BIC US expects contributions of \$250,000 to its pension plan in 2015.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2015	\$	742,590
2016		693,015
2017		703,589
2018		708,803
2019		689,261
Years 2020-2024		<u>3,327,748</u>
Total	\$	<u>6,865,006</u>

NOTE 12 CONCENTRATED CREDIT RISK

The BIC Foundation is a denominationally owned and sponsored corporation consisting of two divisions which holds investments for the BIC US. The Trust Division handles investments on behalf of church agencies. The Brotherhood Loan Fund Division serves the church in a manner similar to that of a credit union. This division accepts deposits from individuals and church agencies and loans funds to congregations and pastors for real estate transactions. Most of the investments of the BIC US are held by BIC Foundation, which are neither insured by any private or governmental agency, nor are the balances fully collateralized. Therefore, an off-balance-sheet and a concentrated credit risk exist.

Financial instruments that potentially subject the BIC US to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. BIC US' accounts at a financial institution exceeded the insurance obtained through the FDIC. Amounts in excess of the FDIC limit totaled \$441,619 and \$906,049 at December 31, 2015 and 2014, respectively.

GENERAL CONFERENCE OF THE BRETHREN IN CHRIST

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE 13 CONTINGENT LIABILITY

The BIC Foundation is a related party to the BIC US. BIC Foundation accepts deposits from church members and churches. BIC Foundation in turn lends these funds to denomination churches in the form of loans. For some loans, the BIC Foundation requires a guarantee that should be backed by fund balances. Conferences are asked to set aside 4% of the combined amount of guaranteed loans for this purpose. In the event of loan loss, the guarantor conference will be responsible to cover the loss up to this amount (in the 4% regional loan-loss reserve fund). Any remaining shortfall will be covered by U.S. regional conferences at a pro-rated amount based on total congregations/worship attendance/fund balances of the conference, and by the BIC US. The BIC US will contribute to the loss an amount calculated as an average of the pro-rated amounts of the seven regional conferences. Loans of exceptional risk exposure are handled differently. An estimate of the balance of the contingent liability at December 31, 2015 and 2014 was \$12,241,093 and \$12,584,734, respectively.

NOTE 14 DEFICIT UNRESTRICTED NET ASSETS

At December 31, 2015, the BIC US had a deficit unrestricted net asset balance of (\$1,500,408). The BIC US maintains an appropriate composition of assets in amounts needed to comply with all donor restrictions at December 31, 2015.

NOTE 15 NET ASSET RECLASSIFICATION

During 2014, management determined that \$497,791 which was previously reported as unrestricted net assets should have been reported as temporarily restricted net assets. These changes are reflected on the Statements of Activities as an adjustment to the beginning balances of temporarily restricted and unrestricted net assets.

NOTE 16 RESTATEMENT

Certain numbers in the Statement of Activities for the year ended December 31, 2014 have been restated to conform to current year presentation.

NOTE 17 SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 24, 2016, which is the date the financial statements were available to be issued.